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INDUSTRIAL PRODUCTION FIGURES

Product	Jan-Dec 1984	% 1984 over 1983
Electricity (bil.kw.hrs)	1493	105
Petroleum (inc. gas condensate) (mil.tons)	613	99.4
Natural Gas (bil.cu.mtrs)	587	110
Coal(mil.tons)	712	99.5
Steel (mil.tons)	154	101
Fertilizer (mil.tons)	30.8	104
Metal-cutting tools (mil. rubles)	2385	109
Robots (1000s)	13.7	125
Computer Technology (bil. rubles)	3.6	111
Tractors (mils.)	50.9	103
Paper (mil. tons)	5.9	103
Cement (mil. tons)	130	101
Meat(mil. tons)	16.7	102
Margarine (1000 tons)	1.4	96

Watches(mils.)	67.1	97
Radios(mils.)	9.4	101
Television sets (mils.)	9.0	105
Automobiles (1000s)	1.3	109

PRODUCTION FOR 1984

The production results for 1984 compared to 1983 provide a mixed picture. 1983 was a particularly good year compared to 1982. In contrast, some industries did better in 1984 than they did in 1983, in terms of increase and industrial production, but the rate of growth is not quite as high for many industries as it was in 1983. In particular, the rate of growth, although positive, is lower for industries such as the steel industry, fertilizer industry, and the paper and cement industries. Similarly, meat production grew at a slower rate in 1984 than it did in 1983.

At the same time, the rate of growth of electricity generation was higher in 1984 than it was in 1983, and most spectacular of all, natural gas production grew at a rate of 10% in 1984 whereas it grew at only 7% in 1983.

The biggest disappointment however is one that we have been anticipating for some time -- that is, oil production fell 3 million tons below what it had been in 1983. Similarly, coal production is down by 4 million tons, although that's an older story.

There is also a hint that everything is not going according to plan in the truck industry. The Soviets omitted any report on truck production for 1984.

On the whole, however, conditions under Chernenko in 1984 continue to be better than they were (at least in terms of economic growth) under the last few years of Brezhnev.

CIA REVISES ITS ESTIMATES OF PRODUCTION IN 1979

Given the fact that 1979 was a bad year not only in terms of a very disappointing harvest, but also in terms of significant drops in industrial production, it was always a bit of a surprise that the CIA's estimate of the growth in GNP for 1979 showed any growth at all. The CIA report for 1982 indicated that the Soviet GNP in 1979 had risen .8%. In 1983, they lowered that estimate to an increase of .4%. The most recent calculation prepared for the 1984 report, shows a growth of .2%. While the difference in the higher and lower figure is not all that significant, it does indicate a drop and it would not be surprising if in future recalculations, the figure actually shows a negative rate of growth.

BALANCE OF TRADE FOR THE FIRST NINE MONTHS OF 1984

The Soviets have sharply curbed their imports from the non-grain growing companies of Western Europe and Japan. As our table indicates, for the first 9 months of 1984, imports from 14 of the Soviet Union's most important trading partners in the capitalist world fell by almost 700 million rubles. At the same time, their exports rose by over 1.5 billion rubles. The result was that they ended up with a trade surplus of 4.5 billion rubles in their dealings with those countries. Over all, despite the fact that their grain purchases seemed to have increased, particularly from the United States, they still ended up with a trade surplus. That's the first time there has been a straight indication of a balance of trade surplus for trade with hard currency countries in the Soviet foreign trade handbook. This of course excludes arms, sales or export of precious metals. Yet compared to their trade posture in 1983 or even more sharply 1981, this represents a radical shift in their export and import postures. That also means that for most of the trading partners there also was drop in exports to the Soviet Union, or as reflected in Soviet statistics, imports from the capitalist world.

For American readers, the most notable change was the very sharp increase of Soviet imports from the U.S. They rose by 700 million rubles and consisted primarily of grain.

NEW INFORMATION ABOUT LABOR PRODUCTIVITY AND WAGE INCREASES

Like most of the capitalist world, the Soviets seem to be having problems holding wage increases to productivity gains. In a recent article, Dr. E. Rusanov laments the fact that in 1982 wages rose 1/3rd faster than labor productivity. He compares that to the first half of the 1950s, when wages rose only .23% for every 1% increase in productivity. Those were the days. When Khrushchev finally took over from Stalin, during the second half of the 1950s, wages were still constrained, although they rose .45% for every 1% increase in labor productivity.

Dr. Rusanov is particularly concerned about the construction and railroad transportation sectors, where for example in construction, productivity lags behind the growth of wages by about .25%. The one serious consequence of all this is the fact that this has an inflationary potential. That is further reflected in the article when the author points out that from 1970 to 1983, the wage fund grew by 90% whereas retail sales grew by only 81%.

CURRENCY FIGURES

Rubles Purchased Per 100	Jan. 1984	Dec. 1984	Jan. 1985
Austrian shilling	4.02	3.95	3.95
U.K. pound	112.90	102.33	99.38
W. German mark	28.51	27.68	27.81
U.S. dollar	80.30	85.85	87.95
French franc	9.32	9.03	9.08
Japanese yen	.342	.348	.346
Italian lira	.047	.0448	.0452
Swiss franc	35.77	33.58	33.13

According to the currency exchange rates released by Gosplan for January 1984, the U.K. pound, Japanese yen and Swiss franc all decreased, while all other currencies increased -- the Austrian shilling remaining the same. Over the last year, all currencies, with the exception of the U.S. dollar and Japanese yen, have decreased.

ARDEN HOUSE - THE NINTH ANNUAL CONFERENCE

The program for the Arden House conference on East-West Relations (March 29-31st) was sent out to the subscribers of this Newsletter. If for some reason you haven't received your invitation yet, please let us know and we will send out a copy. We enclose in this Newsletter only the application form for Arden House.

We are pleased to announce an addition to the program. Congressman Les Aspin has indicated that he also expects to attend the conference. This means that our Congressional panel will consist of four Congressmen and at least one Senator. We do expect to hear from additional Senators as well.

Given the interest in the Geneva arms talks and the successor problem, we have had a good response -- we urge those who expect to attend to return their application forms early to insure a reservation.

THE RUSSIAN RESEARCH CENTER takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Jean Monahan.

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NEWS FLASH +++++
CONGRESSMAN GEPHART HAS JUST
ANNOUNCED THAT HE WILL BE ATTENDING
THE ARDEN HOUSE CONFERENCE.

Hopeful Signs the Thaw Could Reach Refuseniks

By MARSHALL I. GOLDMAN

It may not yet be summer, but there are signs everywhere that the wintry relations between the Soviet Union and the United States have begun to thaw. President Reagan no longer jokes about releasing bombs over the Soviet Union, and Soviet leaders have stopped warning their people about the imminence of war and the resemblance between Hitler and Reagan. Secretary of State George P. Shultz and Foreign Minister Andrei A. Gromyko can meet in Washington and Geneva without snarling at one another (as they did in 1983), and can agree on procedures and even a little substance.

This improvement has come faster than almost anyone in either the United States or the Soviet Union anticipated. This reversal in relations creates its own momentum, but there is still a long way to go. Our suspicions about Soviet intentions and honor will not be easily altered, and while the Soviets can adjust their party line a bit sooner than we can, they still harbor deep concerns about the United States.

Nor will a few superficial agreements bring us back to the 1970s detente era. For that matter, it is hard to see how an arms-control agreement, even if both sides are willing to compromise, can be implemented without an overall improvement in relations and behavior. On the Soviet side, that means, among other things, a more acceptable posture in the Third World (Afghanistan) and a more humane approach to human rights and emigration. It also means that such an improvement, if it is to come, also involves action on our side.

Without meaning to trivialize the dimensions of the dispute, the quarrel between the Soviet Union and the United States is in some small way like a quarrel between husband and wife. It has taken me more than 30 years to realize it, but I now understand that on occasion I have been as much at fault in our arguments as my wife, and that in a quarrel both sides may have to give a little. This may be one of those times.

What can we do to signal our mutual intentions? For our part, we should offer the Soviet Union something that it wants, but it should not be anything that threatens our security. After all, an improvement in relations does not mean that the Soviet leadership has suddenly become benign. Allowing the Soviet Union "most-favored-nation" status in trade would be such a signal. Since only the President can authorize a waiver for the resumption of such status if the Soviets liberalize emigration, this will also require action on the part of the Soviet Union. Since emigration, primarily of Jews but also of Germans and Armenians, has been cut from more than 50,000 a year in 1979 to fewer than 1,000 in 1984, that won't be easy—but it can be done.

Strict interpretation in the 1970s of the Jackson-Vanik amendment restricting most-favored-nation status was in part responsible for the emigration that the Soviets did allow. Despite all their protestations, the Soviets do at times respond to pressure. They did then, and they did again out of fear of the "Star Wars" missile defense proposal when they agreed to return to Geneva.

But just as the stick has its use, so does the carrot. The Soviets thought that we had agreed to extend most-favored-nation status to them in 1972, and felt betrayed when they did not get it. In retaliation they increased their pressure on human-rights activists and all but eliminated emigration. When Soviet leaders conclude that there is nothing to be gained from U.S.-Soviet relations, they are likely to revert to their customary police-state methods. If, however, they sense that there are gains to be made, they are more likely to relax those policies.

This is a unique opportunity, but, given our mutual distrust, it will not be easy to break the logjam. Each side will have to make some small gestures in the hope that those steps will be reciprocated. The Soviets could release Ida Nudel, one of the more celebrated refuseniks, but Jewish groups here will have to signal their willingness to be more flexible about such issues as most-favored-nation status. Assuming that the Soviet Union continues to increase the number of emigrants and show a more humane policy, the President should be urged to consider issuing an annual waiver to the Jackson-Vanik Amendment.

Even if the Soviets increase the flow of refuseniks, it is too much to expect that the basic character of the Soviet police state will be fundamentally altered overnight. Yet after lengthy discussion with the leadership of some of the most important American Jewish groups concerned with Soviet emigration policies, a few of whom have even engaged in informal soundings with Soviet representatives, my sense is that they have come to recognize the need for greater flexibility. They know that they may be subject to criticism from some of their more militant constituents, but they are prepared to make this known both to the U.S. and Soviet governments.

There is much more involved here than the narrow interests of one religious group. If successful, such a move could contribute to a meaningful improvement in the overall character of U.S.-Soviet relations. It is worth the risk.

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BALANCE OF TRADE - 1st NINE MONTHS OF 1984

1981, 1982, 1983, 1984

(Million Rubles)

	<u>Exports from the USSR</u>				<u>Imports to the USSR</u>			
	1981	1982	1983	1984	1981	1982	1983	1984
Austria	632	493	413	563	362	387	622	656
Belgium	350	774	741	902	342	421	449	380
Great Britain	515	622	802	974	785	531	495	587
Greece	448	441	343	416	82	100	128	87
Denmark	168	268	221	275	194	53	54	73
Spain	216	106	229	224	347	127	182	227
Italy	1716	2209	2152	2388	757	874	1119	983
Netherlands	662	1175	1393	1243	385	282	410	188
Norway	44	59	59	78	73	56	75	60
Germany	2501	2982	2498	3478	2099	2201	2685	2558
France	1749	1664	1768	1695	1289	958	1353	1246
Switzerland	183	326	394	290	390	311	274	293
Sweden	182	289	491	441	281	283	191	184
Japan	589	556	579	633	1593	2129	1707	1534
Subtotal	10,000	11,964	12,083	13,600	8979	8713	9744	9056
Sub-Balance of Trade					+1021	+3251	+2339	+4544
Argentina	28	25	19	20	2069	1133	1153	983
U.S.A.	105	112	171	210	1058	1811	1037	1734
Canada	41	17	22	15	892	945	990	971
Australia	10	12	5	12	461	438	321	365
New Zealand	5	5	1	6	146	178	145	38
Brazil	9	122	85	93	523	356	429	396
Total	10,198	12,257	12,386	13,956	14,128	13,574	13,819	13,543
Balance of Trade					-3930	-1317	-1433	+413